

City of Rockwood, Michigan

Financial Report with Additional Information June 30, 2003

City of Rockwood, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Rockwood, Michigan

We have audited the accompanying general purpose financial statements of the City of Rockwood, Michigan as of June 30, 2003 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Rockwood, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The City does not maintain a complete record of the assets of the General Fixed Assets Account Group. Accordingly, all capital assets have not been reflected within the General Fixed Assets Account Group. Accounting principles generally accepted in the United States of America require that all capitalizable assets acquired with governmental funds be recorded in the General Fixed Assets Account Group at cost or, if donated, at estimated fair value at the date donated.

The City has not recorded all the assets acquired by the Enterprise Funds or all of the assets and corresponding contributed capital related to those assets donated to the system by customers, developers, other units of government, and other funds of the City. In addition, no recognition has been given to depreciation charges applicable to the unrecorded assets. Accounting principles generally accepted in the United States of America require that all capital assets and applicable depreciation charges be reflected in the financial statements of the Enterprise Funds. Therefore, the accompanying financial statements do not present fairly the financial position, results of operations, or changes in financial position of the Enterprise Funds in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and
Members of the City Council
City of Rockwood, Michigan

In our opinion, except for the Enterprise Funds and the General Fixed Assets Account Group (as explained in the two preceding paragraphs), the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Rockwood, Michigan as of June 30, 2003 and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

September 15, 2003

City of Rockwood, Michigan

	Governmental Fund Types		
	General Fund	Special Revenue Funds	Capital Projects Fund
Assets			
Cash and cash equivalents (Note 2)	\$ 804,720	\$ 1,122,261	\$ 243,918
Accounts receivable:			
Property taxes - Delinquent	52,312	-	-
Customer billings	-	8,874	-
Other receivables	3,628	-	-
Advance to component unit (Note 7)	-	200,000	-
Due from other governmental units	5,957	33,514	11,145
Due from other funds (Note 3)	138,125	31,221	-
Due from primary government	-	-	-
Other assets	15,387	-	-
Inventory	-	-	-
Restricted assets (Notes 2 and 4)	-	-	-
Capital assets (Note 6)	-	-	-
Amount to be provided for the payment of long-term debt	-	-	-
Total assets	<u>\$ 1,020,129</u>	<u>\$ 1,395,870</u>	<u>\$ 255,063</u>

**Combined Balance Sheet - All Fund Types,
Account Groups, and Discretely Presented Component Units
June 30, 2003**

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total Primary Government (Memorandum Only)	Component Units
Enterprise Funds	Agency Fund	General Fixed Assets	General Long-term Debt		
\$ 798,313	\$ 350,562	\$ -	\$ -	\$ 3,319,774	\$ 197,073
-	-	-	-	52,312	-
120,332	-	-	-	129,206	-
1,500	-	-	-	5,128	-
-	-	-	-	200,000	-
4,665	-	-	-	55,281	-
332,729	1,240	-	-	503,315	-
-	-	-	-	-	15,120
-	-	-	-	15,387	-
23,421	-	-	-	23,421	-
555,376	-	-	-	555,376	567,770
3,364,093	-	7,084,581	-	10,448,674	-
-	-	-	3,994,766	3,994,766	705,000
<u>\$ 5,200,429</u>	<u>\$ 351,802</u>	<u>\$ 7,084,581</u>	<u>\$ 3,994,766</u>	<u>\$ 19,302,640</u>	<u>\$ 1,484,963</u>

City of Rockwood, Michigan

	Governmental Fund Types		
	General Fund	Special Revenue Funds	Capital Projects Fund
Liabilities and Fund Equity			
Liabilities			
Accounts payable and other accruals	\$ 96,718	\$ 3,264	\$ -
Due to other governmental units	-	-	-
Due to other funds	98	62,575	1,240
Due to component unit	-	-	-
Deposits	54,892	1,165	-
Current portion of long-term debt	-	-	-
Long-term debt (Note 7)	-	-	-
Total liabilities	151,708	67,004	1,240
Fund Equity			
Investment in general fixed assets	-	-	-
Contributed capital (Note 16)	-	-	-
Retained earnings:			
Reserved (Note 17)	-	-	-
Unreserved	-	-	-
Fund balances:			
Reserved (Notes 14 and 17)	-	-	253,823
Unreserved:			
Designated (Note 5)	462,831	-	-
Undesignated	405,590	1,328,866	-
Total fund equity	868,421	1,328,866	253,823
Total liabilities and fund equity	<u>\$ 1,020,129</u>	<u>\$ 1,395,870</u>	<u>\$ 255,063</u>

**Combined Balance Sheet - All Fund Types,
Account Groups, and Discretely Presented Component Units (Continued)
June 30, 2003**

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total Primary Government (Memorandum Only)	Component Units
Enterprise Funds	Agency Fund	General Fixed Assets	General Long-term Debt		
\$ 84,866	\$ -	\$ -	\$ -	\$ 184,848	\$ -
-	175,905	-	-	175,905	-
374,955	64,447	-	-	503,315	-
-	111,450	-	-	111,450	-
18,975	-	-	-	75,032	-
45,000	-	-	-	45,000	-
2,085,000	-	-	3,994,766	6,079,766	705,000
2,608,796	351,802	-	3,994,766	7,175,316	705,000
-	-	7,084,581	-	7,084,581	-
992,162	-	-	-	992,162	-
241,972	-	-	-	241,972	-
1,357,499	-	-	-	1,357,499	-
-	-	-	-	253,823	567,770
-	-	-	-	462,831	-
-	-	-	-	1,734,456	212,193
2,591,633	-	7,084,581	-	12,127,324	779,963
<u>\$ 5,200,429</u>	<u>\$ 351,802</u>	<u>\$ 7,084,581</u>	<u>\$ 3,994,766</u>	<u>\$ 19,302,640</u>	<u>\$ 1,484,963</u>

City of Rockwood, Michigan

Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Discretely Presented Component Unit Year Ended June 30, 2003

	Governmental Fund Types			Total Primary Government (Memorandum Only)	TIFA Component Unit
	General Fund	Special Revenue Funds	Capital Projects Fund		
Revenue					
Property taxes	\$ 1,162,222	\$ -	\$ 243,211	\$ 1,405,433	\$ 290,236
Licenses and permits	22,998	-	-	22,998	-
Federal sources	-	27,553	-	27,553	-
State sources	373,030	172,420	-	545,450	-
District Court	163,370	-	-	163,370	-
Interest and rental revenue	34,775	37,114	-	71,889	10,592
Other revenue	235,173	11,984	-	247,157	-
Total revenue	1,991,568	249,071	243,211	2,483,850	300,828
Expenditures					
Administration and general government	836,756	-	248	837,004	55,712
Public safety	742,827	734	-	743,561	-
District Court	136,971	-	-	136,971	-
DPW	158,347	-	-	158,347	-
Public works, street lighting, and rubbish collection	132,155	149,519	-	281,674	-
Recreation	45,413	-	-	45,413	-
Construction and other	28,756	27,553	-	56,309	-
Community Center	-	50,624	-	50,624	-
Municipal building construction	-	-	2,395	2,395	-
Debt service	-	-	271,922	271,922	86,330
Total expenditures	2,081,225	228,430	274,565	2,584,220	142,042
Excess of Revenue Over (Under) Expenditures	(89,657)	20,641	(31,354)	(100,370)	158,786
Other Financing Sources (Uses)					
Operating transfers in	-	49,786	-	49,786	-
Operating transfers out	(20,000)	(29,786)	-	(49,786)	-
Total other financing sources (uses)	(20,000)	20,000	-	-	-
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	(109,657)	40,641	(31,354)	(100,370)	158,786
Fund Balances - July 1, 2002	978,078	1,288,225	285,177	2,551,480	619,211
Fund Balances - June 30, 2003	<u>\$ 868,421</u>	<u>\$ 1,328,866</u>	<u>\$ 253,823</u>	<u>\$ 2,451,110</u>	<u>\$ 777,997</u>

City of Rockwood, Michigan

Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Governmental Fund Types General and Certain Special Revenue Funds Year Ended June 30, 2003

	General Fund			Certain Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenue						
Property taxes	\$ 1,196,173	\$ 1,162,222	\$ (33,951)	\$ -	\$ -	\$ -
Licenses and permits	33,000	22,998	(10,002)	-	-	-
District Court	210,000	163,370	(46,630)	-	-	-
Interest and rental revenue	33,000	34,775	1,775	37,270	32,316	(4,954)
Intragovernmental revenue	90,000	109,277	19,277	-	-	-
Other revenue	<u>214,639</u>	<u>235,173</u>	<u>20,534</u>	<u>54,800</u>	<u>56,954</u>	<u>2,154</u>
Total revenue	2,156,946	2,100,845	(56,101)	257,070	261,690	4,620
Expenditures						
Administration and general government	877,199	869,252	7,947	-	-	-
Public safety	776,791	742,827	33,964	-	-	-
District Court	156,100	136,971	19,129	-	-	-
DPW	163,803	158,347	5,456	-	-	-
Public works, street lighting, and rubbish collection	204,113	208,936	(4,823)	126,175	147,934	(21,759)
Recreation	46,375	45,413	962	-	-	-
Community Center	-	-	-	47,570	50,624	(3,054)
Construction and other	<u>16,087</u>	<u>48,756</u>	<u>(32,669)</u>	<u>30,000</u>	<u>29,786</u>	<u>214</u>
Total expenditures	<u>2,240,468</u>	<u>2,210,502</u>	<u>29,966</u>	<u>203,745</u>	<u>228,344</u>	<u>(24,599)</u>
Excess of Revenue Over (Under) Expenditures	(83,522)	(109,657)	(26,135)	53,325	33,346	(19,979)
Fund Balances - July 1, 2002	<u>978,078</u>	<u>978,078</u>	<u>-</u>	<u>803,480</u>	<u>803,480</u>	<u>-</u>
Fund Balances - June 30, 2003	<u>\$ 894,556</u>	<u>\$ 868,421</u>	<u>\$ (26,135)</u>	<u>\$ 856,805</u>	<u>\$ 836,826</u>	<u>\$ (19,979)</u>

City of Rockwood, Michigan

Combined Statement of Revenue, Expenses, and Changes in Retained Earnings Proprietary Fund Type - Enterprise Funds Year Ended June 30, 2003

Operating Revenue

Sales:	
Water	\$ 260,000
Sewer	330,332
Sewage disposal	257,327
Delinquent charges	8,855
Other - Net	<u>14,505</u>
Total operating revenue	871,019

Operating Expenses

Cost of water	140,339
Cost of sewage disposal	257,327
Plant management charges	188,682
Salaries and fringe benefits	59,949
Professional services	111,583
Water and sewer mains repair and maintenance	1,892
Office administration expenses	6,288
Supplies, maintenance, and other	18,221
Utilities	8,268
Miscellaneous	8,883
Depreciation	<u>109,856</u>
Total operating expenses	<u>911,288</u>

Operating Loss (40,269)

Nonoperating Income (Expense)

Replacement and rehabilitation charges	19,589
Property taxes	110,965
Interest income	14,427
Interest expense	<u>(91,405)</u>
Total nonoperating income	<u>53,576</u>

Net Income 13,307

Retained Earnings - July 1, 2002 1,586,164

Retained Earnings - June 30, 2003 \$ 1,599,471

City of Rockwood, Michigan

Combined Statement of Cash Flows Proprietary Fund Type - Enterprise Funds Year Ended June 30, 2003

Cash Flows from Operating Activities

Operating loss	\$ (40,269)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	109,856
Changes in assets and liabilities:	
Customer receivables	1,023
Inventory	(994)
Due from other governmental units	(4,665)
Due from other funds	(107,929)
Accounts payable and other accruals	(34,266)
Due to other funds	142,243
Due to other governmental units	(14,265)
Deposits	1,650
Net cash provided by operating activities	52,384

Cash Flows from Capital and Related Financing Activities

Principal payments on long-term debt	(45,000)
Collection of customer assessments	14,853
Collection of property taxes for debt service	110,965
Interest paid on bonds	(91,405)
Collection of replacement and rehabilitation charges	19,589
Net cash provided by capital and related financing activities	9,002

Cash Flows from Investing Activities - Interest received 14,427

Net Increase in Cash and Cash Equivalents 75,813

Cash and Cash Equivalents - July 1, 2002 1,277,876

Cash and Cash Equivalents - June 30, 2003 \$ 1,353,689

Balance Sheet Classification of Cash and Cash Equivalents

Cash and cash equivalents	\$ 798,313
Restricted assets	555,376
Total	<u><u>\$ 1,353,689</u></u>

Noncash Capital and Related Financing Activities - There were no noncash capital and related financing activities during the year.

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Rockwood, Michigan (the "City") conform to generally accepted accounting principles as applicable to governmental units except that all capital assets have not been reflected in the General Fixed Assets Account Group, and all capital assets and applicable depreciation charges are not recorded in the Enterprise Funds. The following is a summary of the significant accounting policies:

Reporting Entity

The City is governed by an elected mayor and six-member council. As required by generally accepted accounting principles, these financial statements present the City of Rockwood, Michigan and its component units.

The following component units are reported within the component units column in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City. More detailed information on the Tax Increment Finance Authority and the Economic Development Corporation is disclosed in Note 14.

- a. The Tax Increment Finance Authority (TIFA) was created to encourage development within a certain district of the City. The TIFA's governing body, which consists of eight individuals, is appointed by the mayor and approved by the City Council. In addition, the TIFA's budget is subject to approval by the City Council.
- b. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City.

The Rockwood Housing Commission has not been included in the City's reporting entity because the City lacks the ability to impose its will on the Housing Commission under the guidelines of Governmental Accounting Standards Board (GASB) No. 14. This entity is subject to separate audit requirements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in three broad fund categories as follows:

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the City that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, State-shared revenue, and other sources.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Capital Projects Fund - The Capital Projects Fund is used to account for the activity related to the construction of capital assets (including the retirement of related debt) other than those accounted for in the Enterprise Funds.

Proprietary Funds

Enterprise Funds - The Enterprise Funds are used to account for the results of operations that provide a service to citizens that is financed primarily by a user charge for the provision of that service.

Fiduciary Fund

Agency Fund - The Agency Fund is used to account for assets held by the City as an agent for individuals, organizations, other governmental units, or other funds. The Trust and Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Basis of Accounting

The accrual basis of accounting is used by the Enterprise Funds. All governmental funds, the Agency Fund, and component units utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations of the City are recorded as revenue when earned. Other revenue is recorded when received.

Note 1 - Summary of Significant Accounting Policies (Continued)

Properties are assessed as of December 31 and become a lien on December 1 of the following year. The related property taxes are billed on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28 before they are added to the county tax rolls.

- b. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- c. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- d. Normally, expenditures are not divided between years by the recording of prepaid expenses.
- e. The noncurrent portion of accumulated sick and vacation pay liabilities is reflected in the General Long-term Debt Account Group.

Fixed Assets and Long-term Liabilities - Fixed assets used in governmental fund-type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Such assets, which are recorded as expenditures at the time of purchase, do not include certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks, and lighting systems. No depreciation has been provided on general fixed assets.

Recorded fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Recorded fixed assets and long-term liabilities relating to the Enterprise Funds are accounted for in those funds. Depreciation on such recorded fixed assets is charged as an expense against the operations of the Enterprise Funds on a straight-line basis.

Cash Equivalents - For purposes of the combined statement of cash flows, the proprietary fund type considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. In addition, the combined statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Note 1 - Summary of Significant Accounting Policies (Continued)

Inventories - Inventories in the Enterprise Funds are valued at estimated cost on a first-in, first-out basis, which approximates market value.

Memorandum-only Totals - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Deposits

The City's deposits at June 30, 2003 are composed of the following:

Cash and cash equivalents	\$ 3,319,774
Restricted assets	<u>555,376</u>
Total	<u>\$ 3,875,150</u>

The above amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 3,873,950
Petty cash or cash on hand	<u>1,200</u>
Total	<u>\$ 3,875,150</u>

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$3,832,810. Of that amount, approximately \$400,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Rockwood, Michigan

Notes to Financial Statements June 30, 2003

Note 2 - Deposits (Continued)

Component Units

The cash and cash equivalents of the City's component units at June 30, 2003 consisted of bank deposits of \$668,513, including \$471,440 classified as restricted assets. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$671,593. Of this amount, approximately \$100,000 was covered by federal depository insurance.

Note 3 - Interfund Receivables

The following are the interfund receivables at June 30, 2003:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 45,143
	Community Development Block	
	Grant Fund	22,319
	Local Road Fund	4,483
	Major Road Fund	4,650
	Trust and Agency Fund	<u>61,530</u>
Total General Fund		138,125
Special Revenue Funds:		
Major Road Fund	Local Road Fund	1,337
Local Road Fund	Major Road Fund	29,786
Community Center	General Fund	<u>98</u>
Total Special Revenue Funds		31,221
Enterprise Funds:		
Water and Sewer Fund	Trust and Agency Fund	2,917
Wastewater Treatment Fund	Water and Sewer Fund	<u>329,812</u>
Total Enterprise Funds		332,729
Trust and Agency Fund	Capital Projects Fund	<u>1,240</u>
Total interfund receivables		<u>\$ 503,315</u>

Note 4 - Restricted Assets

Assets in the Water and Sewer (Enterprise) Fund have been restricted by action of the City Council, through a reserve account, related to fees collected through water and sewer billings for the purpose of rehabilitating the sewer system. In addition, assets related to unspent water and sewer project bond proceeds have been restricted by the bond ordinance.

Cash and cash equivalents:

Unspent bond proceeds	\$ 313,404
Sewer system rehabilitation reserve	<u>241,972</u>

Total Water and Sewer Fund restricted assets	<u><u>\$ 555,376</u></u>
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Retained earnings have been reserved in the amount of restricted assets, excluding the amount resulting from the issuance of bonds.

Assets of the component units have been restricted in the Tax Increment Finance Authority for future debt service as required by bond ordinance.

Cash	\$ 471,440
Due from primary government	<u>96,330</u>

Total component units restricted assets	<u><u>\$ 567,770</u></u>
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Fund balance has been reserved in the amount of the restricted assets.

Note 5 - Designated Fund Balance

Fund balance of the General Fund has been designated for the following purposes:

Sick days	\$ 108,023
Recreation	7,591
City administration and maintenance equipment	42,531
Police training	1,947
Fire training and equipment	170,739
Future retirement health care	100,000
Retirement benefits	<u>32,000</u>
Total	<u><u>\$ 462,831</u></u>

City of Rockwood, Michigan

Notes to Financial Statements June 30, 2003

Note 6 - Capital Assets

A summary of recorded Enterprise Funds fixed assets at June 30, 2003 follows:

	Water and Sewer Fund	Wastewater Treatment Fund	Total	Depreciable Life - Years
Structures, mains, and laterals	\$ 3,285,892	\$ -	\$ 3,285,892	20-50
Building improvements	-	616,709	616,709	39
Equipment	75,237	244,515	319,752	5-10
Less accumulated depreciation	<u>(552,755)</u>	<u>(305,505)</u>	<u>(858,260)</u>	
Net carrying amount	<u>\$ 2,808,374</u>	<u>\$ 555,719</u>	<u>\$ 3,364,093</u>	

A summary of recorded general fixed assets at June 30, 2003 follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Municipal building	\$ 3,982,561	\$ 2,395	\$ -	\$ 3,984,956
Office equipment	51,477	51,432	-	102,909
City Clerk	3,516	-	-	3,516
Park equipment	333,902	5,847	-	339,749
Community Center	752,152	-	-	752,152
Historical building	287,851	-	-	287,851
Police department	248,789	21,698	40,000	230,487
Fire department	591,723	3,793	-	595,516
Public works	333,399	19,507	-	352,906
Election machines	2,134	-	-	2,134
Land*	187,805	-	-	187,805
Equity in District Court building addition	<u>244,600</u>	<u>-</u>	<u>-</u>	<u>244,600</u>
Total	<u>\$ 7,019,909</u>	<u>\$ 104,672</u>	<u>\$ 40,000</u>	<u>\$ 7,084,581</u>

* Includes land donated to the City with carrying amounts approximating \$130,000

Note 7 - Long-term Debt

Outstanding Debt

The following is a summary of the outstanding general obligation debt of the City of Rockwood as of June 30, 2003:

	Interest Rate (Percent)	Maturing Through	Principal Outstanding
Primary Government - General long-term debt			
General Long-term Debt Account Group:			
Unlimited tax bonds series 1999	4.375-4.625	2019	\$ 3,700,000
District Court installment purchase agreement	4.70	2006	179,160
Accumulated employee benefits	-	-	<u>115,606</u>
Total General Long-term Debt Account Group			<u>\$ 3,994,766</u>
Enterprise Fund:			
1998 unlimited tax general obligation sanitary sewer bonds	3.80-4.50	2022	\$ 2,130,000
Less current portion			<u>(45,000)</u>
Total Enterprise Fund long-term debt			<u>\$ 2,085,000</u>
Component Unit - Tax Increment Finance Authority (TIFA)			
Revenue bonds	5.55	2010	\$ 505,000
Advance from primary government	Noninterest- bearing	*	<u>200,000</u>
Total Component Unit Long-term Debt Account Group			<u>\$ 705,000</u>

* The advance from the primary government will be paid as funds become available subsequent to the TIFA's satisfaction of the outstanding revenue bond issue.

The accumulated employee benefits represent the estimated liability to be paid governmental fund-type employees under the City's sick and vacation pay policy, net of the portion that is estimated will be paid currently. Under the City's policy, employees earn sick and vacation time based on time of service with the City.

See Note 13 for details of District Court installment purchase agreement.

Note 7 - Long-term Debt (Continued)

The Tax Increment Finance Authority has issued development refunding bonds to pay a judgment. The bonds are payable solely from the revenue generated by property taxes levied on the increase in property values within the TIFA district over the property values of the base year.

The City has given full faith and credit backing to both the Enterprise Fund debt and the TIFA debt. The TIFA bond agreement has significant limitations placed on the use of future revenue and requires the establishment of a sinking fund to set aside monies for the retirement of the bonds, which is anticipated to occur in the fiscal year ending June 30, 2004.

Changes in Long-term Debt

The following is a summary of the general obligation long-term debt transactions of the City for the year ended June 30, 2003:

	General Long-term Debt Account Group	Enterprise Fund	Component Unit
Balance - July 1, 2002	\$ 4,108,185	\$ 2,130,000	\$ 760,000
Increase in obligation for employee benefits	1,787	-	-
Debt principal paid or reclassified as current	(115,206)	(45,000)	(55,000)
Balance - June 30, 2003	<u>\$ 3,994,766</u>	<u>\$ 2,085,000</u>	<u>\$ 705,000</u>

Note 7 - Long-term Debt (Continued)

Debt Service Requirements

The annual requirements for the years ending June 30, 2004 through 2008 and subsequent years for all debt outstanding as of June 30, 2003, excluding accumulated employee benefits, including both principal and interest, are as follows:

Years Ending June 30	Governmental Funds	Enterprise Fund	Component Unit
2004	\$ 301,851	\$ 134,680	\$ 88,028
2005	306,819	137,970	89,698
2006	459,508	141,070	91,090
2007	301,271	143,953	92,205
2008	322,096	151,643	88,043
Subsequent years	3,904,007	2,524,724	373,320
Total debt service requirements	<u>\$ 5,595,552</u>	<u>\$ 3,234,040</u>	<u>\$ 822,384</u>

Interest

During the year ended June 30, 2003, the Water and Sewer Fund incurred \$91,405 of interest expense. The Capital Projects Fund incurred \$172,556 of interest expense. There was no other interest expense for the primary government during the year except for that on the District Court obligation (see Note 13).

The Tax Increment Finance Authority incurred \$31,330 of interest expense in the current year.

Note 8 - Defined Benefit Pension Plan

Plan Description

The City contributes to a group annuity contract with Principal Mutual Life Insurance Company that covers all employees of the City who work at least 20 hours per week and five months per year. The system provides retirement and disability benefits to plan members. The Principal Financial Group issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at Des Moines, Iowa 50392-0001.

Note 8 - Defined Benefit Pension Plan (Continued)

Funding Policy

The funding policy provides for employer contributions of actuarially determined amounts that are intended to accumulate sufficient assets to pay benefits when due. No contribution is required from the employees. The obligation to contribute to and maintain the system was established by resolution of the City Council.

Annual Pension Cost

For the year ended June 30, 2003, the City's annual pension cost of \$55,898 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at April 1, 2002, using the aggregate cost method. Significant actuarial assumptions include (a) an interest rate of 6.5 percent, (b) projected salary increases ranging from 4.38 percent to 7.6 percent, depending on the individual employee's age, and (c) no cost of living adjustment. Both (a) and (b) include an inflation component of 2.5 percent. Amortization of the unfunded actuarial liability is not applicable given the use of the aggregate cost method due to the fact that this method does not identify or separately amortize unfunded actuarial liabilities.

The three-year trend information for the plan is as follows:

	Fiscal Year Ended June 30		
	2003	2002	2001
Annual pension cost (APC)	\$ 55,898	\$ 69,190	\$ 64,711
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 9 - Budget Information

The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2003 has not been calculated.

During the current year, the budget was amended in a legally permissible manner although no budget was adopted for the Commerce Park, Community Development Block Grant, or Drug Forfeiture Funds. As a result, the activity of these funds is not included in the combined statement of revenue, expenditures, and changes in fund balances - budget and actual - governmental fund types - General and Certain Special Revenue Funds.

Note 9 - Budget Information (Continued)

The budget has been prepared in accordance with generally accepted accounting principles, with the following exceptions:

- Operating transfers have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).”
- Reimbursements from other funds have been included in revenue, rather than as a reduction of expenditures.

The budget statement (combined statement of revenue, expenditures, and changes in fund balances - budget and actual - governmental fund types - General and Certain Special Revenue Funds) is presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budget statement to the operating statement (combined statement of revenue, expenditures, and changes in fund balances - all governmental fund types and discretely presented component unit):

	General Fund		Special Revenue Funds	
	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 1,991,568	\$ 2,081,225	\$ 249,071	\$ 228,430
Operating transfers and transfer from component unit budgeted as revenue and expenditures	-	20,000	49,786	29,786
Activity of funds for which a budget was not adopted	-	-	(37,167)	(29,872)
Reimbursements from other funds recorded as revenue	<u>109,277</u>	<u>109,277</u>	<u>-</u>	<u>-</u>
Amounts per budget statement	<u>\$ 2,100,845</u>	<u>\$ 2,210,502</u>	<u>\$ 261,690</u>	<u>\$ 228,344</u>

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the City Council is included in the additional information. This comparison includes expenditure budget overruns. A comparison of the actual results of operations to the Special Revenue Funds' budgets as adopted by the City Council is available at the clerk's office for inspection.

City of Rockwood, Michigan

Notes to Financial Statements June 30, 2003

Note 10 - Segment Information for Enterprise Funds

The City maintains two Enterprise Funds that provide water and sewer and wastewater treatment services. Segment information for the year ended June 30, 2003 is as follows:

	Water and Sewer Fund	Wastewater Treatment Fund	Total Enterprise Funds
Operating revenue	\$ 599,427	\$ 271,592	\$ 871,019
Operating (loss) income	(75,024)	34,755	(40,269)
Nonoperating income	46,950	6,626	53,576
Net (loss) income	(28,074)	41,381	13,307
Net working capital	59,203	697,961	757,164
Total assets	3,915,476	1,284,953	5,200,429
Current year capital contributions	14,853	-	14,853
Total equity	1,337,953	1,253,680	2,591,633
Depreciation expense	85,251	24,605	109,856

Note 11 - Wastewater Treatment Plant Fund

During the year ended June 30, 1983, the City entered into an agreement with Wayne County to lease a wastewater treatment plant from the county for a period of 99 years for a cost of \$1.

The City has an operation and maintenance agreement with an engineering firm to provide all routine operation and maintenance services for the treatment plant through June 2003. The monthly fee associated with these services at June 30, 2003 was \$14,534. This fee is subject to review each January and may be adjusted by a mutually acceptable cost of living index. Additional services that are not considered routine are billed separately to the City.

Note 12 - Postemployment Benefits

The City provides health care benefits to all employees upon retirement. Currently, three retirees are eligible. The City includes retirees and their spouses in its insured health care plan with some contribution required by the participants, depending on years of service. Expenses for postemployment health care benefits are recognized as the insurance premiums become due and totaled approximately \$38,000 during the year ended June 30, 2003.

Note 13 - Joint Venture

The City is a member of the 33rd District Court System (the "District Court"), which provides judicial services to the City and other neighboring communities. The City appoints one member to this joint venture's governing board who then approves the annual budget. The District Court receives its operating revenue principally through contributions from member communities. During the current year, the City received approximately \$52,000 from the District Court, representing the City's share of the District Court's net activity. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements are available through the City offices.

During 1995, the City and various other surrounding communities entered into an installment purchase agreement with a bank on behalf of the District Court. The communities collectively agreed to finance the construction of an addition to the District Court for a total cost of approximately \$2,000,000.

The intention of the District Court is to make the monthly interest and principal payments on behalf of the communities. In the event that payments are not received by the bank when due, each community will be responsible for its proportionate share of the debt. The City's originally estimated share of this debt was anticipated to be 12.23 percent. The related balance of debt outstanding at year end is recorded in the General Long-term Debt Account Group. The City's portion of the related building addition is recorded in the General Fixed Assets Account Group.

For each community, the "share" is the percentage of the total amount of any payment due equal to a fraction, the numerator of which is the total cases handled by the District Court for that community from January 1 to December 31 of the year immediately preceding the year in which the payment is due, and the denominator of which is the total number of cases handled by the District Court for the same time period. The share for the City through June 30, 2003 approximated 6.19 percent. Principal and interest payments made by the District Court on the City's behalf during the year approximated \$5,200 and \$4,400, respectively. The District Court has set aside certain funds of the City in anticipation of its future debt requirements. The City has not recorded these amounts held by the District Court since it is not anticipated that they will be made available currently, nor can they be used for purposes other than debt retirement.

Note 14 - Component Units Financial Information

A condensed balance sheet for each of the discretely presented component units, as well as presentation of any underlying fund types/account groups of these entities, is presented below. The Economic Development Corporation had no revenue or expenditure activity during the year ended June 30, 2003. Reserved fund balance and restricted assets in the Tax Increment Finance Authority represent funds that have been set aside for future debt service as required by the bond ordinance. Separately issued financial statements of the individual component unit are not available.

Balance Sheet

	Tax Increment Financing Authority				Total Component Units
	Economic Development Corporation	Special Revenue Fund	Long-term Debt Account Group	Total TIFA	
Assets					
Cash and cash equivalents	\$ 1,966	\$ 195,107	\$ -	\$ 195,107	\$ 197,073
Due from primary government	-	15,120	-	15,120	15,120
Restricted assets	-	567,770	-	567,770	567,770
Amount to be provided for retirement of general long-term debt	-	-	705,000	705,000	705,000
Total assets	\$ 1,966	\$ 777,997	\$ 705,000	\$ 1,482,997	\$ 1,484,963
Liabilities and Fund Equity					
Liabilities - Long-term debt	\$ -	\$ -	\$ 705,000	\$ 705,000	\$ 705,000
Fund Equity					
Reserved	-	567,770	-	567,770	567,770
Unreserved	1,966	210,227	-	210,227	212,193
Total fund equity	1,966	777,997	-	777,997	779,963
Total liabilities and fund equity	\$ 1,966	\$ 777,997	\$ 705,000	\$ 1,482,997	\$ 1,484,963

Note 15 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal Liability and Property Pool for claims relating to real and personal property and general liability. The City also participates in the Michigan Municipal League Workers' Compensation Fund for workers' compensation claims, and purchases commercial insurance for medical claims.

The Michigan Municipal League Risk Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 16 - Contributed Capital

Contributed capital represents recorded contributions to the Water and Sewer Fund made since the year ended June 30, 1987.

The following is an analysis of contributed capital by source:

	Balance July 1, 2002	Current Year Additions	Balance June 30, 2003
Water and sewer lines and cash contributed by developers	\$ 192,487	\$ -	\$ 192,487
Water and sewer lines contributed by other governmental entity	433,525	-	433,525
Privilege fees	349,936	14,853	364,789
Residual equity transferred from other funds of the City	<u>1,361</u>	<u>-</u>	<u>1,361</u>
Total	<u>\$ 977,309</u>	<u>\$ 14,853</u>	<u>\$ 992,162</u>

City of Rockwood, Michigan

Notes to Financial Statements June 30, 2003

Note 17 - Reserved Fund Balances and Retained Earnings

Fund balances and retained earnings have been reserved in the following funds for the purposes detailed below:

	Capital Projects Fund	Water and Sewer Fund	Component Unit - TIFA
Debt sinking fund	\$ -	\$ -	\$ 567,770
Debt service	253,823	-	-
Wastewater treatment rehabilitation	-	241,972	-
Total reserved fund balances/retained earnings	<u>\$ 253,823</u>	<u>\$ 241,972</u>	<u>\$ 567,770</u>

Note 18 - Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated activity since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2002	\$ (1,457)
Current year building permit revenue	20,698
Current year related expenses:	
Direct costs	\$ 9,933
Estimated indirect costs	<u>10,000</u>
Total construction code expense	<u>19,933</u>
Cumulative shortfall at June 30, 2003	<u>\$ (692)</u>

Note 19 - Upcoming Reporting Change

For the year beginning July 1, 2003, the City plans to adopt GASB Statement No. 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Enterprise Funds will no longer report capital contributions as a direct increase to equity. Information is not available to present pro forma data that would show the effect of this future change.

Additional Information

To the Honorable Mayor and
Members of the City Council
City of Rockwood, Michigan

We have audited the general purpose financial statements of the City of Rockwood, Michigan for the year ended June 30, 2003. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. Our report as presented in the preceding section is qualified for capital assets in the General Fixed Assets Account Group and the Enterprise Funds and depreciation and related contributed capital of the Enterprise Funds.

The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the City of Rockwood, Michigan. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the Enterprise Funds as explained in our report on the general purpose financial statements, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Plante & Moran, PLLC

September 15, 2003

City of Rockwood, Michigan

Retirement System Required Supplementary Information Schedule of Funding Progress

Actuarial Valuation Date (Year Beginning April 1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Valuation Payroll	UAAL as a Percentage of Valuation Payroll
1998	\$ 817,255	\$ 817,255	\$ -	100.0	\$ 494,396	-
1999	900,981	900,981	-	100.0	517,230	-
2000	852,107	852,107	-	100.0	554,566	-
2001	980,216	980,216	-	100.0	608,189	-
2002	1,240,834	1,240,834	-	100.0	590,594	-
2003	1,378,006	1,378,006	-	100.0	564,454	-

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contribution	Net Pension Obligation
1998	\$ 33,804	100	\$ -
1999	46,070	100	-
2000	51,120	100	-
2001	64,711	100	-
2002	69,190	100	-
2003	55,898	100	-

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of April 1, 2002 (the latest actuarial valuation) follows:

Actuarial cost method	Aggregate cost
Amortization method	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	Contract basis
Actuarial assumptions:	
Investment rate of return*	6.5%
Projected salary increases*	4.38% to 7.6% depending on individual employee's age
*Includes inflation at	2.5%
Cost of living adjustments	None

City of Rockwood, Michigan

General Fund Schedule of Revenue - Budget and Actual Year Ended June 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Property Taxes			
Real and personal property taxes	\$ 1,166,073	\$ 1,137,479	\$ (28,594)
Tax penalty	7,100	5,236	(1,864)
Tax administration fees	23,000	19,507	(3,493)
Total property taxes	1,196,173	1,162,222	(33,951)
State Sources			
Revenue sharing	378,934	371,930	(7,004)
Liquor license fees and other	1,200	1,100	(100)
Total State sources	380,134	373,030	(7,104)
Licenses and Permits	33,000	22,998	(10,002)
District Court	210,000	163,370	(46,630)
Interest and Rental Revenue	33,000	34,775	1,775
Intragovernmental Revenue - Reimbursements - Roads and water	90,000	109,277	19,277
Other Revenue			
Weed cutting	6,000	11,563	5,563
PILOT (senior citizen building)	9,700	9,748	48
Franchise fees	60,000	64,217	4,217
Park usage and donation	600	850	250
Miscellaneous income	4,215	6,164	1,949
Police training	1,600	8,221	6,621
Refuse disposal	106,500	106,535	35
Ambulance service	19,500	21,351	1,851
Workers' compensation refund	6,524	6,524	-
Total other revenue	214,639	235,173	20,534
Total revenue	2,156,946	<u>\$ 2,100,845</u>	<u>\$ (56,101)</u>
Appropriation of Fund Balance	83,522		
Total	<u>\$ 2,240,468</u>		

City of Rockwood, Michigan

General Fund Schedule of Expenditures - Budget and Actual Year Ended June 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Administration and General Government			
Legislative	\$ 29,200	\$ 34,050	\$ (4,850)
Executive	37,100	38,131	(1,031)
Board of Review	600	500	100
Elections	8,650	8,650	-
Assessor	18,000	11,392	6,608
Clerk	218,726	228,168	(9,442)
General services	449,373	454,294	(4,921)
Inspections	30,000	9,933	20,067
Treasurer	7,840	5,331	2,509
Building	77,710	78,803	(1,093)
Total administration and general government	877,199	869,252	7,947
Public Safety			
Police	704,211	688,106	16,105
Fire	72,580	54,721	17,859
Total public safety	776,791	742,827	33,964
District Court	156,100	136,971	19,129
DPW	163,803	158,347	5,456
Street Lighting and Rubbish Collection	204,113	208,936	(4,823)
Recreation	46,375	45,413	962
Other	16,087	48,756	(32,669)
Total expenditures	<u>\$ 2,240,468</u>	<u>\$ 2,210,502</u>	<u>\$ 29,966</u>

City of Rockwood, Michigan

General Fund Schedule of Expenditures - Budget Basis Year Ended June 30, 2003

Administration and General Government

Legislative:

Council salaries	\$ 6,330
Audit and other professional services	<u>27,720</u>
Total legislative	34,050

Executive:

Mayor's salary	2,100
Legal fees	<u>36,031</u>
Total executive	38,131

Assessor:

Assessor's salary	6,000
County services	<u>5,392</u>
Total assessor	11,392

Clerk:

City Clerk's salary	3,600
Clerical staff	173,107
Printing and supplies	5,407
Postage	3,073
Publishing	4,123
Office equipment	<u>38,858</u>
Total clerk	228,168

Board of Review	500
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Elections	8,650
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Treasurer:

Treasurer's salary	4,130
Tax preparation	<u>1,201</u>
Total treasurer	5,331

Building:

Building cleaning salary	5,732
Building maintenance	24,894
Telephone	13,090
Light and power	24,016
Heat	<u>11,071</u>
Total building	78,803

City of Rockwood, Michigan

General Fund Schedule of Expenditures - Budget Basis (Continued) Year Ended June 30, 2003

Administration and General Government (Continued)

General service:	
FICA taxes	\$ 70,535
Hospitalization	189,976
Retirement fund	55,898
Workers' compensation	11,376
Life insurance	2,899
Engineering	12,842
Payroll processing	3,345
Travel	420
Insurance and bonds	62,180
Community building	3,835
Miscellaneous public relations	10,888
Michigan Municipal League	2,774
Library	10,350
Planning	16,976
	<hr/>
Total general service	454,294
Inspections	9,933
	<hr/>
Total administration and general government	869,252

Police

Police wages	438,317
Dispatchers	96,577
Police overtime	53,381
Police office supplies	3,562
Boarding of prisoners	10,141
Uniforms	11,675
Gas and oil	17,330
Boarding of animals	540
Police repairs and maintenance	6,200
Radio repair	330
Travel	505
Equipment rental	20,716
Mutual Aid Pact	2,418
Police - Miscellaneous	2,913
Police equipment	21,698
Police training	1,803
	<hr/>
Total police	688,106

City of Rockwood, Michigan

General Fund Schedule of Expenditures - Budget Basis (Continued) Year Ended June 30, 2003

Fire

Fire wages	\$ 30,734
Uniforms	451
Repairs and maintenance	3,793
Radio repair	2,078
Fire training	5,461
Fire equipment and other	6,497
Medical	5,360
Mobile telephone	347
Total fire	54,721

District Court

Legal services	25,132
Court assessment	111,839
Total District Court	136,971

DPW - Public Works

DPW wages	117,775
DPW clothing	845
Supplies	5,178
Repairs and maintenance	11,211
Grass cutting	3,436
Equipment and other - Net	19,902
Total DPW - Public works	158,347

Street Lighting

69,300

Rubbish Collection

139,636

Total street lighting and rubbish collection

208,936

Recreation

Programs	13,584
Senior Citizen Club donations	1,715
Recreation director	10,008
Park equipment	18,015
Miscellaneous - Net	2,091
Total recreation	45,413

Other - Miscellaneous

48,756

Total expenditures

\$ 2,210,502

City of Rockwood, Michigan

	Major Road	Local Road	Community Center
Assets			
Cash and cash equivalents	\$ 635,554	\$ 186,701	\$ 4,707
Accounts receivable:			
Customer billings	-	8,874	-
Advance to component unit	-	-	-
Due from other governmental units	9,989	4,465	-
Due from other funds	<u>1,337</u>	<u>29,786</u>	<u>98</u>
Total assets	<u>\$ 646,880</u>	<u>\$ 229,826</u>	<u>\$ 4,805</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable and other accruals	\$ -	\$ -	\$ 3,264
Due to other funds	34,436	5,820	-
Deposits	<u>-</u>	<u>-</u>	<u>1,165</u>
Total liabilities	34,436	5,820	4,429
Fund Balances - Unreserved - Undesignated	<u>612,444</u>	<u>224,006</u>	<u>376</u>
Total liabilities and fund balances	<u>\$ 646,880</u>	<u>\$ 229,826</u>	<u>\$ 4,805</u>

**Special Revenue Funds
Combining Balance Sheet
June 30, 2003**

Commerce Park	Drug Forfeiture	Community Development Block Grant	Total
\$ 281,081	\$ 10,959	\$ 3,259	\$ 1,122,261
-	-	-	8,874
200,000	-	-	200,000
-	-	19,060	33,514
-	-	-	31,221
<u>\$ 481,081</u>	<u>\$ 10,959</u>	<u>\$ 22,319</u>	<u>\$ 1,395,870</u>
\$ -	\$ -	\$ -	\$ 3,264
-	-	22,319	62,575
-	-	-	1,165
-	-	22,319	67,004
<u>481,081</u>	<u>10,959</u>	<u>-</u>	<u>1,328,866</u>
<u>\$ 481,081</u>	<u>\$ 10,959</u>	<u>\$ 22,319</u>	<u>\$ 1,395,870</u>

City of Rockwood, Michigan

	Major Road	Local Road
Revenue		
Federal sources	\$ -	\$ -
State sources	119,147	53,273
Rental revenue	-	-
Interest	8,878	3,054
Forfeitures	-	-
Other	1,337	-
Total revenue	129,362	56,327
Expenditures		
Public works	13,316	134,618
Construction and other	-	-
Public safety	-	-
Community Center	-	-
Total expenditures	13,316	134,618
Excess of Revenue Over (Under) Expenditures	116,046	(78,291)
Other Financing Sources (Uses)		
Operating transfers in	-	29,786
Operating transfer out	(29,786)	-
Total other financing sources (uses)	(29,786)	29,786
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	86,260	(48,505)
Fund Balances - July 1, 2002	526,184	272,511
Fund Balances - June 30, 2003	<u>\$ 612,444</u>	<u>\$ 224,006</u>

Special Revenue Funds
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Year Ended June 30, 2003

Community Center	Commerce Park	Drug Forfeiture	Community Development Block Grant	Total
\$ -	\$ -	\$ -	\$ 27,553	\$ 27,553
-	-	-	-	172,420
20,196	-	-	-	20,196
188	4,756	42	-	16,918
-	-	4,816	-	4,816
5,831	-	-	-	7,168
26,215	4,756	4,858	27,553	249,071
-	1,585	-	-	149,519
-	-	-	27,553	27,553
-	-	734	-	734
50,624	-	-	-	50,624
50,624	1,585	734	27,553	228,430
(24,409)	3,171	4,124	-	20,641
20,000	-	-	-	49,786
-	-	-	-	(29,786)
20,000	-	-	-	20,000
(4,409)	3,171	4,124	-	40,641
4,785	477,910	6,835	-	1,288,225
<u>\$ 376</u>	<u>\$ 481,081</u>	<u>\$ 10,959</u>	<u>\$ -</u>	<u>\$ 1,328,866</u>

City of Rockwood, Michigan

Enterprise Funds Combining Balance Sheet June 30, 2003

	Water and Sewer	Wastewater Treatment	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 400,391	\$ 397,922	\$ 798,313
Accounts receivable - Customer billings	120,332	-	120,332
Due from other governmental units	4,665	-	4,665
Due from other funds	2,917	329,812	332,729
Other receivables	-	1,500	1,500
Inventory	23,421	-	23,421
Total current assets	551,726	729,234	1,280,960
Restricted Assets	555,376	-	555,376
Capital Assets - Net of accumulated depreciation	2,808,374	555,719	3,364,093
Total assets	<u>\$ 3,915,476</u>	<u>\$ 1,284,953</u>	<u>\$ 5,200,429</u>
Liabilities and Fund Equity			
Liabilities			
Accounts payable and other accruals	\$ 53,593	\$ 31,273	\$ 84,866
Due to other funds	374,955	-	374,955
Deposits	18,975	-	18,975
Current portion of long-term debt	45,000	-	45,000
Long-term debt	2,085,000	-	2,085,000
Total liabilities	2,577,523	31,273	2,608,796
Fund Equity			
Contributed capital	992,162	-	992,162
Retained earnings:			
Reserved	241,972	-	241,972
Unreserved	103,819	1,253,680	1,357,499
Total fund equity	1,337,953	1,253,680	2,591,633
Total liabilities and fund equity	<u>\$ 3,915,476</u>	<u>\$ 1,284,953</u>	<u>\$ 5,200,429</u>

City of Rockwood, Michigan

Enterprise Funds Combining Statement of Revenue, Expenses, and Changes in Retained Earnings Year Ended June 30, 2003

	Water and Sewer Fund	Wastewater Treatment Fund	Total
Operating Revenue			
Sales:			
Water	\$ 260,000	\$ -	\$ 260,000
Sewer	330,332	-	330,332
Sewage disposal	-	257,327	257,327
Delinquent charges	8,855	-	8,855
Other - Net	240	14,265	14,505
	<hr/>	<hr/>	<hr/>
Total operating revenue	599,427	271,592	871,019
Operating Expenses			
Cost of water	140,339	-	140,339
Cost of sewage disposal	257,327	-	257,327
Plant management charges	-	188,682	188,682
Salaries and fringe benefits	59,949	-	59,949
Professional services	105,228	6,355	111,583
Office administration expenses	6,288	-	6,288
Water and sewer mains repair and maintenance	1,892	-	1,892
Supplies, maintenance, and other	6,789	11,432	18,221
Utilities	8,268	-	8,268
Miscellaneous	3,120	5,763	8,883
Depreciation	85,251	24,605	109,856
	<hr/>	<hr/>	<hr/>
Total operating expenses	674,451	236,837	911,288
Operating Income (Loss)	(75,024)	34,755	(40,269)
Nonoperating Income (Expense)			
Replacement and rehabilitation charges	19,589	-	19,589
Property taxes	110,965	-	110,965
Interest income	7,801	6,626	14,427
Interest expense	(91,405)	-	(91,405)
	<hr/>	<hr/>	<hr/>
Total nonoperating income	46,950	6,626	53,576
Net Income (Loss)	(28,074)	41,381	13,307
Retained Earnings - July 1, 2002	373,865	1,212,299	1,586,164
	<hr/>	<hr/>	<hr/>
Retained Earnings - June 30, 2003	<u>\$ 345,791</u>	<u>\$ 1,253,680</u>	<u>\$ 1,599,471</u>

City of Rockwood, Michigan

Enterprise Funds Combining Statement of Cash Flows Year Ended June 30, 2003

	Water and Sewer Fund	Wastewater Treatment Fund	Total
Cash Flows from Operating Activities			
Operating income (loss)	\$ (75,024)	\$ 34,755	\$ (40,269)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	85,251	24,605	109,856
Changes in assets and liabilities:			
Customer receivables	1,023	-	1,023
Inventory	(994)	-	(994)
Due from other governmental units	(4,665)	-	(4,665)
Due from other funds	2,074	(110,003)	(107,929)
Accounts payable and other accruals	(51,265)	16,999	(34,266)
Due to other funds	142,243	-	142,243
Due to other governmental units	-	(14,265)	(14,265)
Deposits	1,650	-	1,650
Net cash provided by (used in) operating activities	100,293	(47,909)	52,384
Cash Flows from Capital and Related Financing Activities			
Principal payments on long-term debt	(45,000)	-	(45,000)
Collection of property taxes for debt service	110,965	-	110,965
Collection of customer assessments	14,853	-	14,853
Interest paid on bonds	(91,405)	-	(91,405)
Collection of replacement and rehabilitation charges	19,589	-	19,589
Net cash provided by capital and related financing activities	9,002	-	9,002
Cash Flows from Investing Activities - Interest received on investments	7,801	6,626	14,427
Net Increase (Decrease) in Cash and Cash Equivalents	117,096	(41,283)	75,813
Cash and Cash Equivalents - July 1, 2002	838,671	439,205	1,277,876
Cash and Cash Equivalents - June 30, 2003	<u>\$ 955,767</u>	<u>\$ 397,922</u>	<u>\$ 1,353,689</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and cash equivalents	\$ 400,391	\$ 397,922	\$ 798,313
Restricted assets	555,376	-	555,376
Total	<u>\$ 955,767</u>	<u>\$ 397,922</u>	<u>\$ 1,353,689</u>

Noncash Capital and Related Financing Activities - There were no noncash capital and related financing activities during the year.

City of Rockwood, Michigan

Schedule of Indebtedness June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2003	2002
General Long-term Debt					
General Obligation Debt					
General Obligation Unlimited Tax Bonds Series 1999					
Date of bond issuance - March 1999					
Amount of bond issuance - \$4,000,000					
	4.375	05/01/03	\$ 105,000	\$ -	\$ 105,000
	4.375	05/01/04	115,000	115,000	115,000
	4.400	05/01/05	125,000	125,000	125,000
	4.400	05/01/06	140,000	140,000	140,000
	4.500	05/01/07	150,000	150,000	150,000
	4.500	05/01/08	165,000	165,000	165,000
	4.500	05/01/09	185,000	185,000	185,000
	4.500	05/01/10	200,000	200,000	200,000
	4.500	05/01/11	220,000	220,000	220,000
	4.500	05/01/12	240,000	240,000	240,000
	4.500	05/01/13	260,000	260,000	260,000
	4.500	05/01/14	280,000	280,000	280,000
	4.600	05/01/15	300,000	300,000	300,000
	4.600	05/01/16	315,000	315,000	315,000
	4.625	05/01/17	325,000	325,000	325,000
	4.625	05/01/18	335,000	335,000	335,000
	4.625	05/01/19	345,000	345,000	345,000
				<u>3,700,000</u>	<u>3,805,000</u>
District Court Installment Purchase Agreement					
Date of loan - January 1995					
Amount of loan - \$224,600					
Payable in monthly installments					
	4.700	06/30/03	10,206 *	-	10,206
		06/30/04	10,696	10,696	10,696
		06/30/05	11,209	11,209	11,209
		06/30/06	157,225	<u>157,255</u>	<u>157,255</u>
				<u>179,160</u>	<u>189,366</u>

* The actual payment made differed from this amount due to the changes in the City's percentage of total activity. The amount paid approximated \$5,200 for the year ended June 30, 2003.

City of Rockwood, Michigan

Schedule of Indebtedness (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

General Long-term Debt (Continued)

Accumulated Employee Benefits				\$ 115,606	\$ 113,819
Total General Long-term Debt Account Group				<u>\$ 3,994,766</u>	<u>\$ 4,108,185</u>

Enterprise Fund

General Obligation Debt

1998 Unlimited Tax General Obligation Sanitary Sewer Bonds

Date of bond issuance - October 1998

Amount of bond issuance - \$2,250,000

3.80	05/01/03	\$ 45,000	\$ -	\$ 45,000
3.80	05/01/04	45,000	45,000	45,000
3.80	05/01/05	50,000	50,000	50,000
3.85	05/01/06	55,000	55,000	55,000
3.85	05/01/07	60,000	60,000	60,000
3.90	05/01/08	70,000	70,000	70,000
4.00	05/01/09	75,000	75,000	75,000
4.00	05/01/10	85,000	85,000	85,000
4.00	05/01/11	95,000	95,000	95,000
4.20	05/01/12	105,000	105,000	105,000
4.20	05/01/13	115,000	115,000	115,000
4.20	05/01/14	125,000	125,000	125,000
4.20	05/01/15	135,000	135,000	135,000
4.20	05/01/16	145,000	145,000	145,000
4.20	05/01/17	155,000	155,000	155,000
4.20	05/01/18	160,000	160,000	160,000
4.40	05/01/19	160,000	160,000	160,000
4.45	05/01/20	165,000	165,000	165,000
4.50	05/01/21	165,000	165,000	165,000
4.50	05/01/22	165,000	165,000	165,000
Total Enterprise Fund debt			<u>\$ 2,130,000</u>	<u>\$ 2,175,000</u>

City of Rockwood, Michigan

Schedule of Indebtedness (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2003	2002
Component Unit					
Tax Increment Finance Authority - General Obligation Debt					
1996 Development Refunding Bonds					
Date of loan - September 1996					
Amount of loan - \$685,000					
Payable in semiannual installments					
	5.55	05/01/03	\$ 55,000	\$ -	\$ 55,000
		05/01/04	60,000	60,000	60,000
		05/01/05	65,000	65,000	65,000
		05/01/06	70,000	70,000	70,000
		05/01/07	75,000	75,000	75,000
		05/01/08	75,000	75,000	75,000
		05/01/09	80,000	80,000	80,000
		05/01/10	80,000	80,000	80,000
				505,000	560,000
Long-term Advance from Primary					
Government	Non-				
	interest				
	bearing	*	200,000	200,000	200,000
Total component unit debt				\$ 705,000	\$ 760,000

* The long-term advance from the primary government will be paid as funds become available subsequent to the TIFA's satisfaction of the outstanding revenue bond issue.